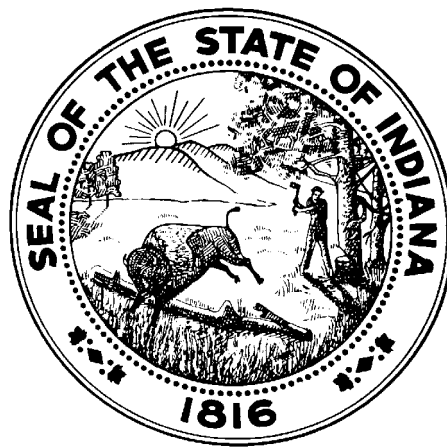


**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2765**

REVIEW REPORT  
OF  
INDIANA STATE DEPARTMENT OF HEALTH  
STATE OF INDIANA  
February 1, 2001 to April 30, 2003





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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Acting Commissioner	Ms. Mary DePrez	01-06-01 to 02-11-01
Commissioner	Dr. Gregory Wilson, M.D.	02-12-01 to 01-10-05



# STATE OF INDIANA

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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE DEPARTMENT OF HEALTH

We have reviewed the receipts, disbursements, and assets of Indiana State Department of Health for the period of February 1, 2001, to April 30, 2003. Indiana State Department of Health's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of Indiana State Department of Health are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

July 3, 2003

INDIANA STATE DEPARTMENT OF HEALTH  
REVIEW COMMENTS  
June 30, 2003

SUB RECIPIENT MONITORING

With the exception of the WIC program, the Indiana State Department of Health does not have an active system for monitoring subrecipients. The agency has recently taken steps to address this by hiring a supervisor for contract compliance, and preparing a proposal to hire staff to do the monitoring.

When you subgrant funds to another entity you are required to monitor the activities of the subrecipients. The monitoring should be sufficient to ensure that awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements, and that they achieve performance goals. When the subrecipient is required to be audited, you may accomplish the majority of your monitoring through a review of and follow up on the audit findings. The monitoring processes may need to include such things as: analysis of the subrecipients' financial status reports, requests for copies of supporting documentation, limited scope or program specific audits, and on-site testing of entities records. You are to ensure that the subrecipient takes appropriate and timely corrective action. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 12)

ENCUMBRANCE DISCREPANCY

Public Law 291 – 2001, Section 7 provided funding for the State Department of Health for Other Operating Expense of \$8,897,573 in fiscal year ended June 30, 2002, and \$10,097,573 for fiscal year ended June 30, 2003. The increase in funding of \$1,200,000 was designated as a one-time funding for the cost of Hepatitis B immunizations.

Department of Health officials took appropriate action to establish a ledger to isolate and account for all Hepatitis immunizations claims. Our review of this accounting showed that one purchase order (PO) for Hepatitis immunizations of \$601,891.88 was entered on this ledger but actually charged to fund/center 6330/107000, Community Health Centers. The explanation on the ledger for this entry was "Due to budgetary concerns, the PO was funded from Community Health Centers 6330/100700 fund/center." When we apprised Department of Health officials of this issue, they took the necessary actions to reverse this transaction.

Each agency, department, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable. With generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

OUTSTANDING CHECKS

The Indiana State Department of Health's SDO accounts had several checks, which have been outstanding two or more years as of last December 31.

Per Indiana Code 4-10-10 these checks are declared canceled. The amount of these checks should be transferred, as miscellaneous revenue, to the fund/center from which they were expended. The checks should then be removed from the outstanding checklist.

INDIANA STATE DEPARTMENT OF HEALTH  
REVIEW COMMENTS  
June 30, 2003  
(Continued)

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently signed and dated prior to the last day worked (fifty-nine of 100 tested).

The attendance report should be completed accurately, signed and dated by the employee. After being completed by the employee, the attendance report should be reviewed, signed and dated by the immediate supervisor of the employee or by another designated individual who has knowledge of the employee's attendance. Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

DAILY DEPOSITS

As stated in the prior report (B16784), the Indiana State Department of Health did not consistently deposit receipts within the following business day.

Indiana Code 5-13-6-1(b) states in part: "... all public funds ... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

INDIANA STATE DEPARTMENT OF HEALTH  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2003, with Ms. Renee Miller, Assistant Commissioner; Linda Brown, Finance Director; Kathy Locke, Human Resources; Tina Austin and Norma Selby, Accounting Supervisors, all of Indiana State Department of Health. The official response to the findings has been made a part of this report and may be found at Pages 7 and 8.

Frank L. O'Bannon  
Governor

Gregory A. Wilson, M.D.  
State Health Commissioner



# Indiana State Department of Health

*An Equal Opportunity Employer*

August 27, 2003

TO: Charles Johnson III, State Examiner  
State Board of Accounts

FROM: Gregory Wilson, M.D.  
State Health Commissioner

SUBJECT: Official Response to the State Board of Accounts Audit  
For February 1, 2001 to April 30, 2003

Below is the Indiana State Department of Health's (ISDH) response to the above referenced audit:

## Sub Recipient Monitoring

The ISDH will be strengthening the sub recipient monitoring. We are in the process of requesting a reorganization which will add 3 additional positions that will be used for sub recipient monitoring and contract preparation. The agency is also taking steps to upgrade positions in that area to more fully address the auditing needs.

## Encumbrance Discrepancy

The Department of Health took steps as acknowledged in the audit to correct the encumbrance. At the time the Department of Health was under the impression that due to budgetary issues the agency was allowed flexibility in the use of funds. In the future, we will seek written approval for transactions of this nature.

### Outstanding Checks

The ISDH concurs with this finding. These checks have been declared canceled and the amount of these checks will be transferred, as miscellaneous revenue to the fund/center from which they were expended.

### Attendance Reports

The ISDH concurs with this finding and has taken steps to prevent this problem in the future. Our system is automated and a program has been written which prevents an employee from submitting their time sheet before their actual last day worked. This has been implemented and is working.

### Daily Deposits

The ISDH makes every effort once funds are received by the Cashier's Office to deposit them within twenty four hours. Due to staffing issues this has been difficult or impossible on some days. The ISDH is taking steps in the Finance reorganization package to address this problem. An additional position is requested in the reorganization request and this position's duties will be to daily prepare deposits.

Attachment